

Message Text

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PAGE 01 ROME 07089 231447Z

43

ACTION EB-11

INFO OCT-01 EUR-25 ISO-00 AEC-11 AID-20 CEA-02 CIAE-00

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SCI-06 SP-03 SS-20 STR-08 TRSE-00 PA-04 PRS-01 USIA-15

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FM AMEMBASSY ROME

TO SECSTATE WASHDC 4952

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E.O. 11652: N/A

TAGS: ENRG

SUBJECT: ECG--MEETING OF AD HOC WORKING GROUP ON ROLE OF INTERNATIONAL

OIL COMPANIES

REF: (A) ROME 7038; (B) STATE 100335

1. SUMMARY. US DELS MET TO DISCUSS DANISH, UK, ITALIAN PRE DRAFT ON ROLE OF THE INTERNATIONAL COMPANIES. PART ONE REF A BASICALLY REMAINED INTACT. PART TWO DISCUSSION FOCUSED LARGELY ON MARKET STRUCTURE AND PRICE, WITH ACCENT ON WHAT WAS TO BE CONTROLLED, HOW AND FOR WHAT PURPOSE. PART THREE DISCUSSED ONLY IN PRINCIPLE. TRANSPARENCY ISSUE IN ANNEX UNRESOLVED, WITH US FOCUSING ON EFFORT TO ELICIT CLEAR STATEMENT OF DATA REQUIREMENTS WITH FOCUS ON DATA GAPS. END SUMMARY.

2. DRAFTING PARTY OF SUBJECT GROUP MET MAY 22 AT MINISTRY OF INDUSTRY IN ROME UNDER CHAIRMAN RISTAGNO. ECG COUNTRIES REPRESENTED WERE ITALY, DENMARK, FRG, JAPAN, UK AND US.

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PAGE 02 ROME 07089 231447Z

3. DISCUSSION FOCUSED ON DANISH-UK-ITALIAN PRE-DRAFT (REFTEL A)

BASED HEAVILY ON US COMMENTS (REFTEL B) ON EARLIER DRAFTS BUT WITH ADDITION OF CONCLUDING SECTION CONTAINING SPECIFIC RECOMMENDATIONS FOR INFORMATION GATHERING, INTERNATIONAL CONTROL OF PETROLEUM MARKETS DURING PERIODS OF "MARKET TENSION", I.E., WHEN DEMAND EXCEEDS SUPPLY OR WHEN POLITICAL OR OTHER NON-MARKET FORCES AFFECT MARKET, AND TOPICS FOR PRODUCER-CONSUMER CONFERENCE.

4. PART I OF PRE-DRAFT PRESERVED ESSENTIALLY INTACT EXCEPT:

A. INTERNATIONAL COMPANIES DEFINED AS THOSE WHICH ARE "INTEGRATED" IN THE SENSE OF OWNING OR CONTROLLING SIGNIFICANT PRODUCING, TRANSPORTATION, PROCESSING AND MARKETING FACILITIES AND WHICH OPERATE ON AN INTERNATIONAL SCALE.

B. PARA 5 MAY BE EXPANDED TO FURTHER STRESS PRESENT AND PROBABLY FUTURE IMPORTANCE OF INTERNATIONAL COMPANIES DESPITE EROSION OF PRICE BARGAINING POWER.

C. A FAIRLY DETAILED DESCRIPTION OF PRICING STRUCTURE WILL PROBABLY BE ADDED AS AN ANNEX TO REPORT, SINCE THERE STILL APPEARS TO BE CONSIDERABLE CONFUSION OR MISUNDERSTANDING ABOUT PRICES, EVEN IN THIS GROUP.

5. PART II OF PRE-DRAFT GENERALLY LEFT INTACT, BUT US DEL WILL ATTEMPT TO SIMPLIFY PARA 7 RE DANGERS OF BILATERAL DEALS IF COOPERATIVE APPROACH TO ACCESS NOT ADOPTED.

6. IN FOREGOING DISCUSSIONS FRG AND UK DELEGATIONS SUPPORTED US DEL FULLY. ITALIANS EXTREMELY RELUCTANT TO STRESS IMPORTANCE AND USEFULNESS OF INTERNATIONAL COMPANIES. DANES RELATIVELY NEUTRAL AND JAPANESE CONCERNED PRINCIPALLY WITH "TWO-TIER PRICING." FRG AND JAPAN ALSO CONCERNED ABOUT COMPANY PROFITS.

7. PART III DISCUSSED ONLY IN GENERAL TERMS.

8. "MARKET TENSION" PROGRAM IS DANISH PROPOSAL DESIGNED TO RESULT IN AN INTERNATIONAL AGREEMENT FOR DEALING WITH MINI-EMERGENCIES (TO WHICH EXTENT IT SHOULD PROBABLY BE FOLDED INTO IEP) AND GENERALLY TO ASSURE INDEPENDENTS AND NATIONALS OF ACCESS TO CRUDE SUPPLIES DURING PERIODS OF TIGHT SUPPLY, LEADING ULTIMATELY, OF COURSE, TO INTERNATIONAL REGULATION OF PRICE AND ALLOCATION OF CRUDE. FRG, UK AND US DELS EXPRESSED DISSATISFACTION WITH THIS PROGRAM AND PREFERENCE FOR FREE MARKET EXCEPT IN CLEAR EMERGENCY, AND LIMITED OFFICIAL USE

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PAGE 03 ROME 07089 231447Z

WILL ATTEMPT TO ELIMINATE OR MUTE THESE PROVISIONS.

9. ON INFORMATION PROGRAM, US AND UK DELS EXPRESSED PREFERENCE FOR GENERAL APPROACH AND REFINEMENT OF "GAPS" IN EXISTING INFORMATION, STATING DOUBTS AS TO ABILITY OF THIS GROUP TO PROVIDE SATISFACTORY SPECIFIC CATALOGUE OF DESIRABLE INFORMATION.

10. UK AND US DELS EXPRESSED DOUBT WHETHER PROGRAM FOR PRODUCER-

CONSUMER AGREEMENT IS WITHIN SCOPE OF THIS WORKING GROUP.

11. MAY 23 SESSION EXPECTED TO INCLUDE ALL ECG MEMBERS. VOLPE

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